

Dear Neighbor,

By now, many of you will have read about the County's decision to adopt a Resolution of Intent to purchase the former San Jose Medical Center site on East Santa Clara Street. I'd like to explain what has happened, and what will likely happen in the coming weeks.

Although the County's negotiations with the land owner, HCA, have occurred quietly, the terms of the deal are being fully vetted publicly before the upcoming vote of the Board of Supervisors. The Board will meet on December 15th to conduct a final vote on the purchase, so there is still plenty of opportunity for public input. If you'd like to voice your opinion in person, you can do so at the County Building, 70 West Hedding Street, and the meeting on the 15th begins at 2 p.m.. Light Rail riders can disembark at the "Civic Center" stop.

I'd like to outline the terms of the proposed deal. The County will pay \$28.3 million to HCA, an amount that represents a price of about \$1.8 million per acre (not counting the \$15 million fully functional building that still exists there). The County will borrow the \$28.3 million from its Retiree Health Trust Fund to pay for it, and about \$3.6 million of the purchase price will fund the demolition of the buildings and the extensive environmental remediation that is required of the site. I have been told that if the cleanup costs exceed the \$3.6 million, HCA will be on the hook for those additional costs. The Trust Fund would be repaid with interest by 2013.

As the *Mercury News* account suggests, HCA--the corporation that purchased the San Jose Medical Center in the 1990's and closed it in 2004--became a "willing seller" after a very lengthy and difficult negotiation process with City and Redevelopment officials, led by Paul Krutko, John Weis, and Kip Harkness, regarding the sale of that site. In March of 2008, Council approved a measure that I drafted with Mayor Reed, committing the Council to refuse to consider any change in the use of the former SJ Medical Center site absent the satisfaction of several conditions. Among them: the implementation of a plan for expansion of primary health care services to a broad cross-section of the community (i.e., "persons relying upon Medi-Cal and without insurance") and the expansion of "urgent or extended-hours medical care." Ultimately, HCA chose to sell the entire site to the County, and to be relieved of any additional responsibilities.

If the County approves the transaction, the plans for a medical clinic focus on the 38,000 square foot building bearing the sign "San Jose Medical Plaza," at 725 East Santa Clara Street (a.k.a. the "Mediplex" Building), a roughly 25-year-old structure on the north side of Santa Clara Street. The County will rehabilitate that structure with some fraction of the \$50 million that was made available in November 2008, when our voters passed

Measure A to fund the construction of a new Valley Medical Center building and a downtown clinic. It appears that the County can rapidly rehabilitate the building and put it into service, which gives that building a key advantage over other sites that would require lengthy (and costly) new construction.

Although the County will conduct a public process to find a nonprofit partner to run the clinic, many of us anticipate that Gardner Healthcare will stand out as the only organization with the capacity to serve a patient mix with a broad spectrum of incomes. This will enable Gardner to expand from its overcrowded, under-parked East Julian Street site. The County Board has articulated a commitment to providing extended-hours care—whether it's 24-hour urgent care or something less, depending on budgetary realities—at that site as well.

In the long term, the County will look to redevelop the site, by selling the land to a private developer. Through our stakeholder process, our community has clearly articulated a vision for mixed-use development at that site, with ground-floor retail and higher density housing along the Santa Clara Street frontage, with stepped-back density to a two-story height along the northern edge. As the County considers development opportunities, I have reminded County officials of that extensive two-year-long effort, involving leaders from the surrounding neighborhoods and other key stakeholders. The City retains land use authority over the parcel, and any future development plans will involve extensive community input.

Over the longer term, the County may decide to move that clinic to a more permanent site, to allow the entire parcel to be developed at once. The remainder of that \$50 million Measure A bond would finance a new clinic. There is also a possibility—albeit less likely—that the County would keep the clinic there while developing only the surrounding site. Each approach has pros and cons.

Given the state of the economy, however, any redevelopment of the parcels will take several years. My focus, then, turns to the interim uses of that site. I have made it clear to County officials that the community will expect the County to be a good neighbor in maintaining the site, and in preventing the kind of blight that we see there today.

There will be expectations that the County cannot possibly satisfy. For example, although we'd all love to see a park there, the County faces chronic deficits, and ultimately will need to sell the site to balance its books. Through a collaborative effort with the county, I expect that we will find a set of interim uses that ensure that the 13.4 acres become a community asset rather than a source of blight.

In the meantime, we will also continue our work with the County, and with the task force responsible for updating the General Plan (which I co-chair), to identify future sites for the development of a hospital in central or North San Jose.

I am grateful that, in the four short months that County Executive Jeff Smith has been in office, he and the Board of Supervisors have moved aggressively to examine 29

downtown sites, and to consummate a deal to get medical care up and running. Supervisor Ken Yeager deserves particular credit for his diligent efforts to collaborate with City officials to ensure that we reach a result that will best serve the entire community.

Finally, I want to thank you all for your willingness to support Measure A on the November 2008 ballot. Until the passage of that bond measure, we lacked the resources to make anything happen, and your commitment to building a healthier San Jose enabled this project to move forward. I commit to work with the County to ensure that the medical services provided by this clinic will prove worthy of the trust that you have shown to your public officials.

Sincerely,

A handwritten signature in black ink, appearing to read "Sam Liccardo". The signature is fluid and cursive, with a large initial "S" and a long, sweeping underline.

Sam T. Liccardo
Councilmember, City of San José
District Three